MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

DFA5048 – FINANCIAL ACCOUNTING 4

(For Diploma Students Only)

02 JUNE 2016
2:30 PM – 5:30 PM
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **9** pages with **5** questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

Megallion Bhd was incorporated on 1 January 2015 with registered 400,000 8% preference shares and 600,000 ordinary shares of RM1 each respectively.

The following transactions occur during the year:

Megallion Bhd decided to issue 300,000 8% preference shares at a premium of 10 sen, payable in full on application.
The company also issue 430,000 ordinary shares of RM1 each at a premium of RM0.30 on the following terms: On application 20 sen On allotment 70 sen (including premium) 1st call 10 sen 2nd call 30 sen
Applications were received for 600,000 ordinary shares whereby the director rejected applications for 70,000 shares.
The outstanding shares are allotted by the director on pro rata basis among the remaining applicants.
The surplus monies received on applications were applied to the amounts due on allotment.
All monies due on 1st call were received when due. However, there is one shareholder who held 2,000 shares paid the 2nd call money together with the 1st call money.
During 2nd and final call, all monies due were received except for one shareholder who held 3,500 shares refused to pay.
Issue cost amounted to RM23,000.

Instructions:

(a) Journalize the entries to record the above transactions. (11 marks)

(b) Prepare the extract of the Statement of Financial Position for the company after the 1st call. (4 marks)

(c) Prepare the extract of the Statement of Financial Position for the company after the 2nd call. (4 marks)

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Part B

Congo Bars Bhd was commence with a registered authorized capital of 5,000,000 ordinary shares of RM1.80 each. Given below are the Trial Balance as at 29th February 2016 in Congo Bars Bhd:

Congo Bars Bhd
Trial Balance as at 29th February 2016

	Debit (RM)	Credit (RM)
Ordinary shares of RM1.80 each		6,300,000
8% redeemable preference shares of RM1 each		2,000,000
Land	4,500,000	
Building	2,800,000	
Plant and machinery	1,253,000	
Cash at bank	927,000	
Share premium		650,000
Retained earnings		530,000
	9,480,000	**9,480,000**

Additional information:

1. As at 1st March 2016, the director agreed to redeem half of its redeemable preference shares at RM1.50 each. The share premium account was used to write off the premium on redemption.
2. To finance the redemption, Congo Bars Bhd utilize 80% of retained earnings and the outstanding amount is finance through the issuance of new ordinary shares at a premium of 30 sen.

Instruction:
Journalize the above transactions. (6 marks)

[TOTAL 25 MARKS]

QUESTION 2

Part A

Companies are regulated by the Companies Act 1965 for accounting records to be kept; and the annual reports and financial statements to be prepared.

(a) Who should prepare the company's annual reports and financial statements? (1 mark)

(b) Why financial statements should be prepared from time to time? (1 mark)

(c) How accounting records to be kept? (1 mark)

(d) How long the transactions should be recorded and retain? (2 marks)

Part B

There are two types of companies which are Statutory Companies and Registered Companies. Statutory authorities or bodies are incorporated under Acts of Parliament. Meanwhile, registered companies are formed under Companies Act 1965 and registered under the Company Commissions of Malaysia (CCM/SSM).

Briefly explain **FIVE (5)** characteristics of company. (5 marks)

[TOTAL 10 MARKS]

QUESTION 3

Statement of Financial Position of Bombastic Bhd. as at 31 March 2016 is given as follow:

Bombastic Bhd. **Statement of Financial Position as at 31 March 2016**		
	(RM)	**(RM)**
Non-current assets		
Land		900,000
Building		600,500
Plant and machinery	350,000	
Less : Accumulated Depreciation	(105,000)	245,000
Furniture and fittings	238,000	
Less : Accumulated Depreciation	(78,500)	159,500
		1,905,000
Intangible assets		
Patent		100,000
Goodwill		153,500
Current assets		
Cash at bank	320,000	
Account receivables	290,000	
Inventory (at year end)	165,000	775,000
		2,933,500
Authorized capital		
500,000 12% Preference shares of RM2 each		1,000,000
1,500,000 Ordinary shares of RM1 each		1,500,000
		2,500,000
Issued and paid up capital		
380,000 12% Preference shares of RM2 each		760,000
1,100,000 Ordinary shares of RM1 each		1,100,000
		1,860,000
Reserves		
Share premium	208,000	
Retained losses	(98,000)	110,000
Non-current Liabilities		
10 % debentures		200,000
Current Liabilities		
Directors' loan	300,000	
Bank overdraft	141,800	
Trade payables	321,700	763,500
		2,933,500

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For five consecutive years, Bombastic Bhd. has suffered a great loss. Thus, the company passes special resolution and the approval of the court was obtained for the following scheme of internal reconstruction:

1. The preference shares and ordinary shares to be reduced to RM1.30 and RM0.40 per share fully paid respectively.

2. Preference shareholders to accept 1,000,000 ordinary shares of RM0.40 each in exchange for the remaining 12% preference shares.

3. Revaluation of assets are as follows:

	If Going concern (RM)	**If liquidate (RM)**
Land	1,000,000	1,100,000
Building	650,000	650,000
Plant and machinery	165,000	205,000
Furniture and fittings	83,500	130,000
Account receivables	196,000	300,000
Inventory	88,000	120,000

4. The directors agreed to accept a quarter of the repayment of directors' loan by cash and the balance is to be settled by issues of 562,500 ordinary shares of 0.40 each.

5. To write off retained losses and intangible assets.

6. Share premium account of RM50,000 to be utilized for the scheme.

7. Reconstruction cost for the year is RM286,000.

8. Contingent liability has not been provided for a damages worth RM255,000 and yet the company settled the full amount.

9. Another special resolution was passed to restore the authorized capital.

Instructions:

(a) Prepare the journal entries to record the capital reduction. (10 marks)

(b) Prepare capital reduction account. (5 marks)

(c) Prepare the Statement of Financial Position of the company after the capital reduction had been completed. (5 marks)

[TOTAL 20 MARKS]

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QUESTION 4

Part A

Owners of sole proprietorships and partnerships may want to convert their businesses into a company. Effectively, there is a sale of business to a newly formed in the conversion of business into a company.

The conversion of business requires two aspects to the accounting treatment which are winding up the affairs of the selling entity and opening up the relevant books of the buyer.

Instructions:
(a) Briefly explain **FOUR (4)** basic requirements to close the book of seller. (4 marks)
(b) Briefly explain **THREE (3)** basic requirements to open the book of buyer. (3 marks)

Part B

Given below is the Statement of Financial Position of Adryan and Harraz Partnership as at 30 September 2015.

Adryan and Harraz Partnership **Statement of Financial Position as at 30 September 2015**		
	(RM)	**(RM)**
Plant, Property and Equipment		
Land and building		460,000
Office equipment	280,000	
Less: Accumulated Depreciation	(50,000)	230,000
		690,000
Current Assets		
Cash in hand	15,000	
Account Receivables	36,000	
Prepaid Insurance	18,000	
Inventories	43,000	112,000
TOTAL ASSETS		**802,000**
Owners' Equity		
Capital, Adryan	400,000	
Capital, Harraz	300,000	700,000
Current Liabilities		
Account Payables	38,000	
Unearned Revenue	64,000	102,000
TOTAL LIABILITIES & EQUITY		**802,000**

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Adryan and Harraz are a best friend who set up a business named Adryan and Harraz Partnership. Adryan and Harraz share profits and losses of 60% and 40% respectively.

After 6 years in operation, they wanted to convert their partnership into a company as at 31 December 2015 namely Gemilang Bhd. The company was formed with an authorized capital of 1,500,000 ordinary shares of RM1 per share due to take over the business of Adryan and Harraz Partnership as from 1 January 2016.

The sale and purchase agreement provide the following:

1. Gemilang Bhd should take over all non-current assets and current assets (excluding cash) and assume all liabilities from the partnership.
2. The assets are to be taken over at the following fair values:

	RM
Land and building	500,000
Office equipment	250,000
Cash in hand	15,000
Account Receivables	31,000
Prepaid Insurance	10,000
Inventories	30,000
Goodwill	15,000

3. Purchase price was to discharged by the issue of sufficient ordinary shares of RM1 each, at a premium of 25% in Gemilang Bhd.
4. Adryan and Harraz purchased 15,000 ordinary shares at par respectively by cash in Gemilang Bhd on formation of the company.
5. The liquidation expense of RM3,000 was to be paid by Adryan and Harraz Partnership.
6. RM2,500 was incurred as formation expenses.

Instructions:

(a) Calculate the purchase price and goodwill. (3 marks)
(b) Prepare journal entries to close the book of the partnership. (8 marks)
(c) Prepare journal entries to open the book of Gemilang Bhd. (7 marks)

Show all your workings.

[TOTAL 25 MARKS]

QUESTION 5

Given below are the Statements of Financial Position of Cili Sdn Bhd and Padi Sdn Bhd as at 31 March 2016.

Statements of Financial Position as at 31 March 2016		
	Cili Sdn Bhd (RM)	**Padi Sdn Bhd (RM)**
Non-current Assets		
Land and building	560,000	530,000
Motor vehicles	270,000	300,000
Patent	98,000	110,000
Goodwill	20,000	30,000
Current Assets		
Cash	50,000	43,000
Trade Receivables	100,000	94,000
Inventories	144,000	200,000
TOTAL ASSETS	**1,242,000**	**1,307,000**
Shareholders' Equity		
Ordinary Shares of RM1.50 each	900,000	720,000
Reserves		
Retained profit/(losses)	150,000	98,000
Share premium	45,000	35,000
Non-Current Liability		
5% debenture	-	84,000
Current Liabilities		
Trade Payables	147,000	370,000
TOTAL LIABILITIES & EQUITY	**1,242,000**	**1,307,000**

1. Cili Sdn Bhd decided to take over Padi Sdn Bhd where they agreed that Cili Sdn Bhd will take over all of the assets (excluding cash) and liabilities of Padi Sdn Bhd as at 31 March 2016 at the following fair values:

	Cili Sdn Bhd (RM)	**Padi Sdn Bhd (RM)**
Land and building	600,000	670,000
Motor vehicles	220,000	170,000
Patent	108,000	115,000
Cash	60,000	52,000
Trade Receivables	120,000	100,000
Inventories	122,000	180,000

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2. Purchase consideration consist of:
   i. 700,000 ordinary shares of RM1 each in Cili Sdn Bhd valued at RM1.50 each, and
   ii. 100,000 9% debentures in Cili Sdn Bhd to discharge the 5% debentures of Padi Sdn Bhd at a premium of 10%.
3. Cili Sdn Bhd has agreed to pay RM30,000 for the liquidation expenses of Padi Sdn Bhd.

Instructions:

(a) Calculate the purchase price and purchase consideration. (4 marks)
(b) Prepare journal entries to close the book of Padi Sdn Bhd. (10 marks)
(c) Prepare journal entries to open the book of Cili Sdn Bhd. (6 marks)

Show all your workings

[TOTAL 20 MARKS]

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